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17 AUG 1977

MEMORANDUM FOR: Deputy Director of Security (PTOS)

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SUBJECT: Suggested Recommendations for Improving Security Posture of [REDACTED] Contractors (S)

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1. (S) Based on the Survey Team's review of the [REDACTED] survey, the survey conducted at [REDACTED] and conversations with contractors and Headquarters employees, it is considered appropriate to make some general recommendations which would be applicable to all contractors in the [REDACTED] world.

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2. (S) In 1970, the Office of Security presented a lecture, including slides and film clips, to contractors then associated with the Office of Special Activities, DD/S&T, which was very well received. The emphasis was on the desirability of the contractors as targets for hostile intelligence. Case histories of espionage were presented which emphasized the point. It is recommended that the Office of Security consider updating and offering this presentation to present [REDACTED] contractors.

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3. (S) It is believed that many of the weak points of security at contractors' facilities have a commonality. We can trace some of these to vague or outdated portions of the [REDACTED] Industrial Security Manual [REDACTED]. As examples, we can cite: time requirements for tracer actions being unrealistic and discarded by unilateral action or mutual verbal agreements with Headquarters; document control inventories vaguely required as "random"; waivers being verbally granted and not further documented. In dealing with industry, we

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must consider that profit and loss is a major factor to their management and there is a tendency on their part to comply by meeting a minimum standard. Therefore, when erosion of security does take place, the effect is more serious. There is a need to review and update the [REDACTED] and it is so recommended.

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This should be done by OD&E 8/01/55
4. (U/AIUO) We also recommend that a quarterly or biyearly message be prepared by OD&E Security reviewing weaknesses we have found and including comments on such items as news leaks, document destruction, telephone security and other appropriate topics.

5. (U/AIUO) It is obvious that contractors' attention to security is at a high peak as a result of the Boyce/Lee case and the indepth inspection by Office of Security teams. Our problem is to keep the attention of high-level management and not give them the impression that this is a concern that will "blow over" after the inspections and recommendations are carried out. The most obvious method of doing this is for the Office of Security to take a much more active role in the determination of award fees.

This should be done by OD&E 8/01/55
6. (U/AIUO) Award fees involve substantial amounts of money based on a Prime Contractor's performance in the categories of Management, Technical Accomplishment and the Administration of Finances and Contracts. The weight given each category varies as to the incentive the Government desires. Presently, Security is rated as a subcategory of Management. Although we have not been tasked to look thoroughly into this fee, our cursory review at [REDACTED] indicates security would count for 4 percent of the 50 percent weight given the Management category.

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7. (U/AIUO) The fees receive the attention of higher corporate officers than those dealt with on a daily basis since they are ultimately responsible for profit and loss. It is known that these officials attend award fee briefings.

8. (U/AIUO) It is also noted that our contractual relationship requires the Prime Contractor to be responsible for the security posture of his subcontractors. Award fees

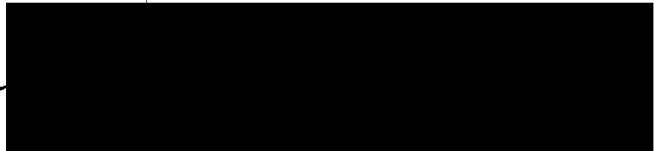
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are given only to the Prime who in turn enters into a separate agreement with the subcontractor. Therefore, if a subcontractor does not meet Headquarters security requirements, our recourse is to the Prime.

9. (U/AIUO) It is our recommendation, since security is now highlighted, that a more active role in award fees be taken by the responsible security officer in determining how well the company has met their obligations.

*See
foregoing
note*

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